Kraft, Incorporated Annual Report -- 1976
America's Corporate Foundation; 1976; ProQuest Historical Annual Reports
pg. 0_1

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

The Scope of Kraft's Business

Kraft, Inc. produces and markets hundreds of processed, packaged foods which are known and respected for high standards of quality by consumers, retail grocers, foodservice and industrial customers throughout the world.

Kraft's many product lines include processed and natural cheese, salad dressing products, margarine, packaged dinners, fluid milk, ice cream, cultured dairy products, refined vegetable oils, chemicals, packaging materials, aluminum housewares and toys. Kraft products are sold in more than 130 countries.

The cover design of this report features the corporation's new name and logo. The name was changed in 1976 from Krafteo Corporation to Kraft, Inc.

Annual Meeting

The Annual Meeting of Stockholders of Kraft, Inc. will be held Thursday, April 21, 1977, at 2 p.m. at the company's food processing plant, 2035 East Bennett Street, Springfield, Missouri.

SEC Form 10-K

Kraft's Annual Report on Form 10-K, filed with the Securities and Exchange Commission, is available upon request and may be obtained by writing to the Secretary of the Corporation:

Joseph L. Caliri
Kraft, Inc.
Kraft Court
Glenview, Illinois 60025

Table of Contents

1 Financial Highlights
2 Message To Stockholders
4 The Year In Review
18 Financial Review
22 Balance Sheet
23 Income and Retained Earnings Statements
24 Financial Position Statement
25 Notes To Financial Statements
28 Auditors' Report
29 International Financial Statements
30 Five Year Summary
31 Board of Directors
32 Officers and Committees

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Financial Highlights

(Dollars in thousands, except per share)	1976	1975
Sales	$4,976,643	$4,857,378
Net income	$ 135,650	$ 139,551
Per share	$4.86	$5.01
Per dollar of sales	2.73%	2.87%
All taxes on income	$ 142,386	$ 128,678
Per share	$5.10	$4.62
Dividends to stockholders	$ 58,919	$ 53,305
Per share	$2.12	$1.92
Capital expenditures	$ 86,272	$ 117,362
Depreciation	$ 57,821	$ 52,376
Stockholders' equity	$1,015,906	$ 938,476
Number of stockholders	63,384	65,209

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Message from the Chairman and the President:

To Our Stockholders:

It is a pleasure to report that in many respects 1976 was one of the most successful years in Kraft's history. The achievements of your company are a gratifying demonstration of what can be accomplished by highly skilled and dedicated employees working within our system of competitive free enterprise.

Worldwide sales advanced to a record-breaking $4.977 billion. Tonnage of products sold in major food categories climbed to new levels. Buoyed by results in both the United States and Canada, pre-tax earnings reached a record $278.0 million. Net earnings of $135.6 million were second highest since the company was organized in 1923. (See Financial Review, page 18, for detailed information.)

After-tax earnings were reduced from the record level of 1975 due to International operations and fluctuations in foreign currency values, with a resulting higher effective income tax rate. Despite problems in connection with our new multi-product processing and distribution center at Namur, Belgium, we are confident this modern facility serving the Common Market nations will contribute to worldwide earnings as the European economy recovers and consumer demand reaches anticipated levels. Further, escalating construction costs would have added considerably to our capital requirements had we delayed this significant expansion of our International operations.

The process of transforming Kraft into a unified operating company is well underway. Our new structure is based on a comprehensive study made by a committee of experienced management executives. The study included interviews and meetings with employees representing all operations. As a result of the reorganization, which was undertaken during a period of strength and stability, we believe Kraft has improved its responsiveness and flexibility, qualities that will assure its continuation as a successful and productive organization.

Kraft is part of an industry that is charged with a special duty to help assure a healthy, well-nourished society. Members of the food industry accomplish this by providing consumers with the widest possible variety of wholesome and nutritious food products from which to choose, and by providing those products in abundance sufficient for all.

In fulfilling this duty, industry has succeeded to an extent undreamed of in past eras. Year in and year out, our food supply has become safer, more nutritious, more varied and abundant than it has ever been. Risks which were associated with food, years ago, have been greatly diminished. Major nutritional deficiency diseases, including pellagra and rickets, have all but disappeared. These are among the more dramatic direct contributions of the food processing industry to public welfare, and there have been many more as well.

In addition, measured as a percentage of income or in terms of hours of labor, our food supply is more reasonable in cost than in past years. This improvement has been largely due to the continuing productivity of farmers, processors and distributors. It is worth noting that, in 1976, the Consumer Price Index (CPI) for all items averaged 5.8 percent higher than in 1975, whereas the corresponding increase for food purchased in grocery stores was just 2.1 percent. In fact, a comparison of December 1976 with December 1975 shows an actual decline of .9 percent in grocery store prices while the CPI

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

increased 4.8 percent. The same performance may or may not be repeated in 1977 because the full impact of recent weather conditions on food prices is not yet known.

Despite these considerable past and current achievements, certain aspects of the food industry are now being questioned. Some claim the industry is recklessly using a variety of harmful additives in its products. The hard facts, as we know them, simply do not support the charge. At Kraft, for example, the quality, safety, appearance and storage life of any product must be consistent with our established standards, using only ingredients recognized as safe by the U.S. Food and Drug Administration. Also, we continually monitor all ingredients and processes used in Kraft products so we can adjust our own formulations in the event actual or possible product safety hazards are detected.

These precautions, in regard to the use of additives, are a long-established part of Kraft policy. It would be short-sighted, indeed, for any company knowingly to use ingredients which have proved to be harmful to the very consumers on whom it depends for its existence.

At Kraft, we believe in the consumer's right to be informed about our products, and the task of helping to dispel misunderstanding about food receives high priority. For many years the company has conducted and participated in a variety of extensive information and education programs directed to specific population groups and employing a number of techniques.

One major technique by which a company conducts its communications with the public is advertising. But the effectiveness and usefulness of advertising depends, not only on the sponsor's commercial message, but also on the quality of the medium in which it appears. In this regard, the company historically has been concerned with the problem of violence in the media and especially with the impact of television programs on children.

Since the early days of both radio and television, Kraft has insisted, with ever increasing emphasis, on sponsoring only those programs which qualify as family entertainment. This is in keeping with the wholesome nature of the company's products. Kraft commercials are intended to express the same sense of respect a well-mannered guest would show in the consumer's home, for that is how the company sees itself each time one of its messages appears.

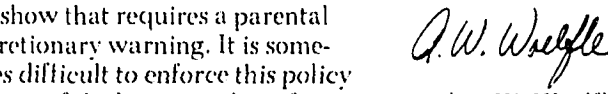
This policy has been in effect for nearly a half-century. Accordingly, we will do whatever is necessary to keep company commercials from appearing on programs associated with sex, shock and violence, or from any show that requires a parental discretionary warning. It is sometimes difficult to enforce this policy because of the large number of programs and stations which must be monitored. Still, it is worth the effort, for we believe this policy can exert a positive influence toward a general improvement of television programming standards.

Two changes on the Board of Directors occurred in 1976. Robert S. Ingersoll, Deputy Chairman of the Board of Trustees, University of Chicago, was elected to the Board on November 4. Mr. Ingersoll previously served as Chief Executive Officer of Borg-Warner Corporation, U.S. Ambassador to Japan, Assistant Secretary of State for East Asian Affairs and Deputy Secretary of State. Also, O.P. Thomas resigned during 1976, after eight years of distinguished service as a Kraft Director.

In December, we had the pleasure of celebrating the Golden Anniversary of our German operation. Under able leadership, this subsidiary has grown steadily to its present prominence as one of the major food processors in the European economy. All of Kraft has been inspired by the ways in which our German organization has contributed to the company and to the consumer.

In conclusion, we join our fellow Directors and our fellow employees in thanking you for your strong support. In return, we pledge to you, the owners of Kraft, our best efforts in the months and years ahead.

William O. Beers
Chairman of the Board and
Chief Executive Officer



Arthur W. Woelfle
President and
Chief Operating Officer

March 5, 1977

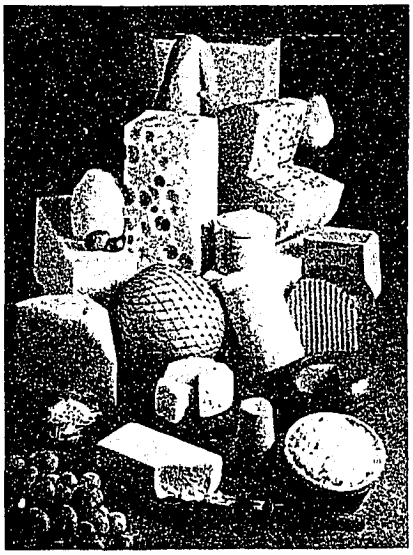
Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

The Year in Review

On October 1, 1976, the corporation entered a significant phase of its transition to a consolidated operating company when a plan of major reorganization went into effect. Now all operating units receive direction from corporate headquarters and the company can more easily mobilize all relevant resources to serve each segment of the market.

Later in the month, on October 27, stockholders overwhelmingly approved a proposal to change the company's name from Kraftco Corporation to Kraft, Inc. The modification of the corporate title to Kraft, Inc. expresses basic concepts of the new structure. It emphasizes food processing as the company's primary business, and clearly identifies the total organization with one of the best-known and most widely respected trademarks in the world.

As part of the restructuring, the familiar U.S. operating divisions (Kraft Foods, Sealtest Foods, Breakstone Sugar Creek Foods and Kra-Pak) have been incorporated into a single organization, to conduct business through groups devoted to specific markets. These are the Retail



Food Group, the Foodservice and Industrial Group, and the Dairy Group. In addition, certain production and distribution functions have been assigned to the new Operations Group, and Technical Services was formed to provide assistance in specialized areas.

The Retail Food Group is responsible for marketing the retail products of the former Kraft Foods Division. The group comprises two marketing units, the Refrigerated Products Division and the Grocery Products Division. Both are served by the same sales force and by the same marketing support organizations, including the famed Kraft Kitchens.

The new Foodservice Division has been combined with the Industrial Division, also new, plus the company's nonfood operations, to form the Foodservice and Industrial Group.

The Foodservice Division is essentially a marketing, sales and distribution organization, serving restaurants, hotels, fast-food operations, vending and contract foodservice companies, schools, hospitals and other institutions.

The Industrial Division is an integration of Kraft's industrial and agricultural products operations with those of HumKo Products. This structuring has resulted in a strong, cohesive base from which to launch an expansion in the industrial foods market.

The Foodservice and Industrial Group also manages all of Kraft's

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

nonfood activities: Aluminum Specialty Company, Humko Sheffield Chemical, Metro Containers and Universal Packaging.

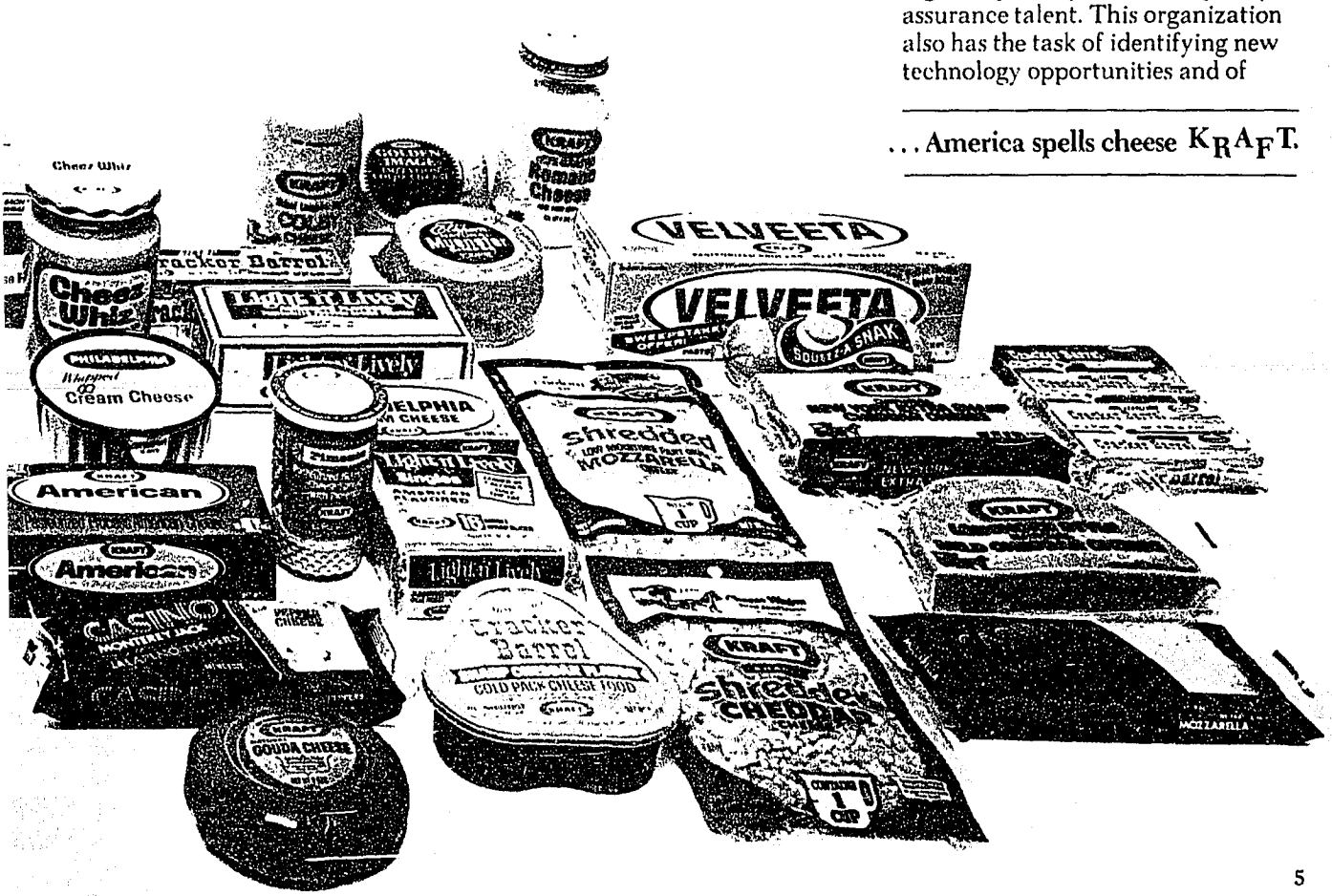
The Operations Group performs the functions of purchasing ingredients and packaging materials, milk and cheese procurement, production and distribution, primarily to serve the needs of the Retail Food Group and the Foodservice Division. The concept of total materials management, on which the Operations Group is based, assures an orderly flow of Kraft products between farm and customer.

The quality of products marketed by the Retail Food Group and the Foodservice Division, the cost of these products and the adequacy of their supply are Operations Group responsibilities, which must be met within specified levels of capital investment and cost-effectiveness. The Materials Planning Department serves as a command center from which the needs of sales and marketing can be translated into operational requirements. The purchasing function administers common purchasing arrangements throughout the company. Similarly, the Transportation and Distribution Department identifies common opportunities on a companywide basis. With packaging and raw materials accounting for a large share of each sales dollar, Operations is responsible for managing a major portion of the company's resources.

During the summer of 1976, the Sealtest Foods Division and Breakstone Sugar Creek Foods Division were merged to form the Dairy Group. The Sealtest organization, which experienced a remarkable turnaround in sales and earnings during the years 1973-1976, became the basis of the group. The Dairy Group is comparatively self-contained, due to the traditionally local or regional distribution of its fluid milk products. Because it has its own marketing, sales, distribution and production functions, no further restructuring was undertaken. Within the Dairy Group, the consolidation of Sealtest and Breakstone into a single business unit provides opportunity to strengthen internal efficiency and overall marketing capabilities. Because of the unique aspects of the dairy business, Dominion Dairies Limited of Canada continues to report to this group.

Technical Services provides assistance to Kraft operating units. Its chief resource is a staff with outstanding professional engineering, computer systems and quality assurance talent. This organization also has the task of identifying new technology opportunities and of

The Refrigerated Products Division of the Retail Food Group markets Kraft's extensive lines of natural and process cheese products throughout the United States under a number of familiar brand names. The division's marketing programs respond to and benefit from the fact that U.S. per capita cheese consumption has risen in recent years, due to improved nutrition knowledge and increased uses of cheese in combination with other foods. As part of a new marketing concept, consumers are offered an expanded choice of cheese products with the inclusion of filled or imitation varieties in the Kraft lines. Presently limited in scope, the new cheese products offer fresh opportunities to meet the special needs of some people who might otherwise not be cheese consumers.



. . . America spells cheese KRAFT.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

working with other operating units to improve productivity and cost-effectiveness. Responsibility for environmental protection and energy conservation has been assigned to the Quality Assurance Department, in addition to product quality and safety, and compliance with company standards and government regulations.

The position of the Kraft International Division as a separate unit within the corporation is unchanged. Kraft Limited, a Canadian subsidiary of Kraft, Inc., has been established as a separate corporate division. Both Kraft Limited and the International Division have access to all corporate technology and services.

A number of significant changes have been made in the corporate administrative structure. Personnel, urban affairs and management development have been brought together as a total human resources function. The Corporate Financial Department has strengthened its business planning and analysis capability. To assist the chief executive officer in plotting the course of the corporation beyond the current five-year projections, provision has been made to add an office of Long-range Planning and Development.

As a part of the reorganization, Kraft is strengthening its management development activities to assure dynamic leadership during the coming years of anticipated growth. An inventory of human resources is being taken in preparation for a program of intensified career development for company leaders of the future. As an adjunct to this project, an outstanding educator is conducting a series of human relations seminars, based on the principles of motivation, for first-line supervisors and managers at locations throughout the United States.

Marketing and Sales

In May 1976, the Retail Food Group introduced a line of lower fat cheese products under the *Light n' Lively* label. Since 1970, the *Light n' Lively* trademark has been a factor in the successful introduction of lower fat products from the Dairy Group, beginning with milk, ice milk, cottage cheese and, most recently, yogurt. Kraft expects that the *Light n' Lively* brand name will help increase consumer acceptance of related products in other marketing areas as well. The company views this example of intergroup cooperation in the use of a Kraft trademark as a significant marketing development.

Four items in the *Golden Image* line of imitation cheese products went into additional test markets during 1976. They are mild cheddar, two sizes of colby and a process cheese spread. *Golden Image* is the first significant filled (or imitation) cheese product to reach the U.S. consumer market. In *Golden Image*, the butterfat content of natural

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

cheese has been replaced largely by polyunsaturated corn oil. As mentioned when this product was introduced in 1975, the development of *Golden Image* is part of Kraft's continuing investigation into the use of alternative raw materials. The final selection of ingredients will be determined mainly by consumer needs and wants, and it is company policy to offer the widest range of products feasible.

Wrapples, Kraft's autumn confection treat for making caramel apples, was introduced into additional regions during 1976, with national distribution scheduled for completion in 1977. A new line of *Kraft* nondairy dips with a sour cream taste, 10 varieties in all, was introduced. These products have done well in test markets, and national distribution is scheduled for May 1977.

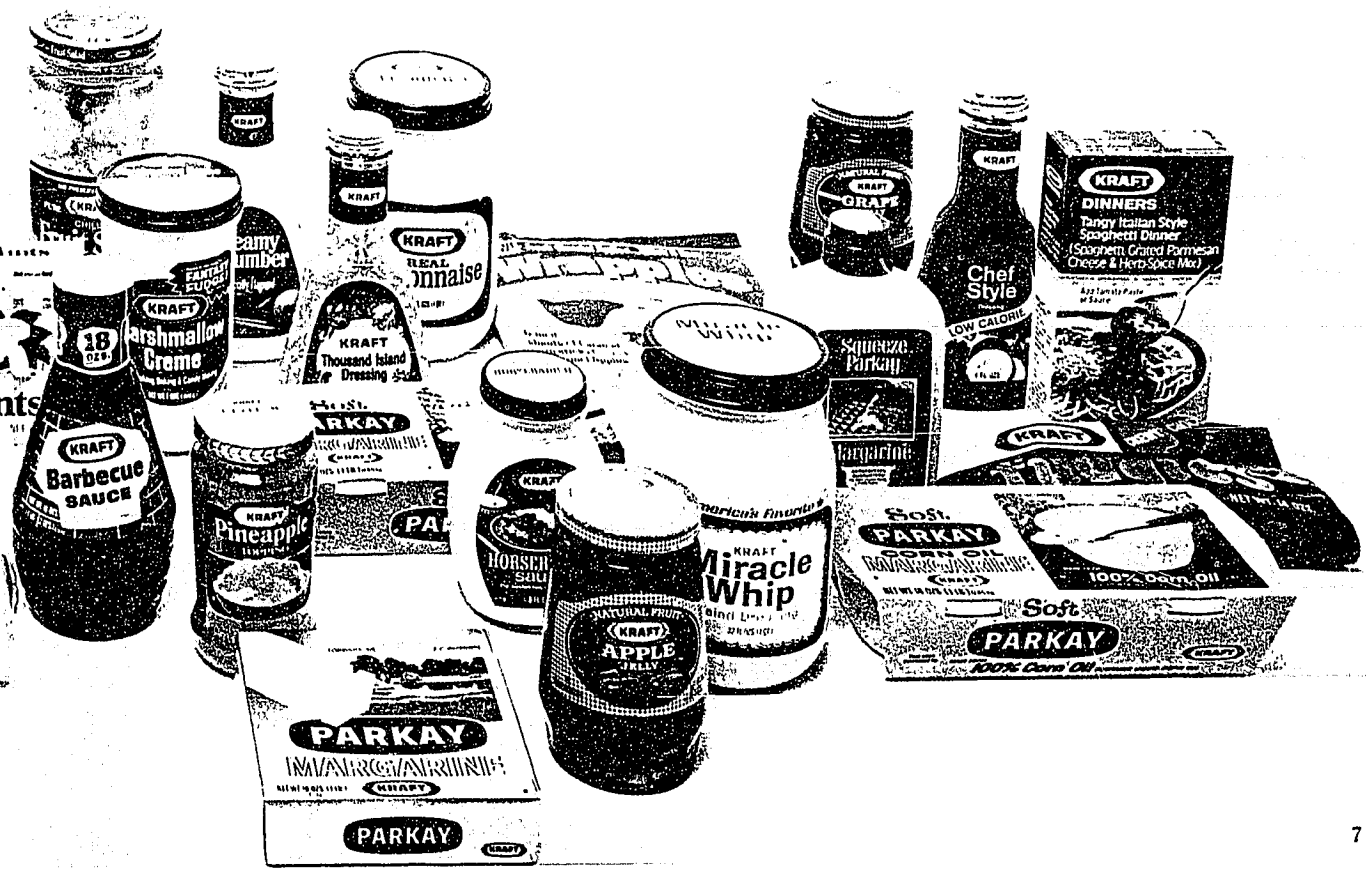
Other retail food products which made their appearance or expanded into additional markets in 1976 include five varieties of pourable dressing under the *Kraft* trademark: Chunky Blue Cheese, Creamy Cucumber, Creamy Italian, Garlic French and Avocado.

The U.S. foodservice industry, observers say, will expand at twice the rate of the retail food business during the next 10 years. In order to take advantage of opportunities in this dynamic growth situation, the Foodservice Division will sell a broad line which includes Kraft's foodservice products. Four districts selling this expanded line were opened during 1976 in Minneapolis, Kansas City, St. Louis and Chicago, with eight more scheduled for 1977. Each district has its own sales force and distribution centers. In 1976, this division introduced five new, shelf-stable 106-ounce prepared *Kraft* Pan entrees. The expanded line includes baking mixes under the *Kraft* label.

Nine varieties of *Deli-Cheez* process food were introduced into the delicatessen sections of selected supermarkets in 1976, an expansion

---

The Grocery Products Division, also a part of the Retail Food Group, is responsible for the marketing of Kraft retail food products other than cheese and dairy products. These consumer items include a wide assortment of products, ranging from convenience meal items, such as the economical *Kraft* Macaroni and Cheese Dinner, through salad dressings and chilled orange juice. Many products are marketed under the *Kraft* trademark, one of the best known and most respected names in the world. The *Kraft* trademark was first associated with food products in the retail grocery business during the early years of this century.



Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

with significance for future growth. Annual sales volume of in-store delicatessens is estimated at nearly $1 billion and is expected to double by 1980. Operators are moving to a broad menu concept by offering their customers a greater variety of quality prepared foods, including salads, entrees and desserts. Kraft provides all of these and, in addition, can assist the deli manager with promotional materials and programs.

A computer-based order entry system is being implemented for the foodservice operation. As part of the system, Kraft foodservice sales representatives carry portable computer terminals into which customer orders are entered. This information then is transmitted by any telephone from the portable terminals directly into the company computer. Order-entry tasks can be completed in about one-third less time than before. In addition to providing benefits of inventory control, billing and other recordkeeping requirements, the computer assigns each order to a particular truck, decides how that truck will be loaded and determines its delivery route.

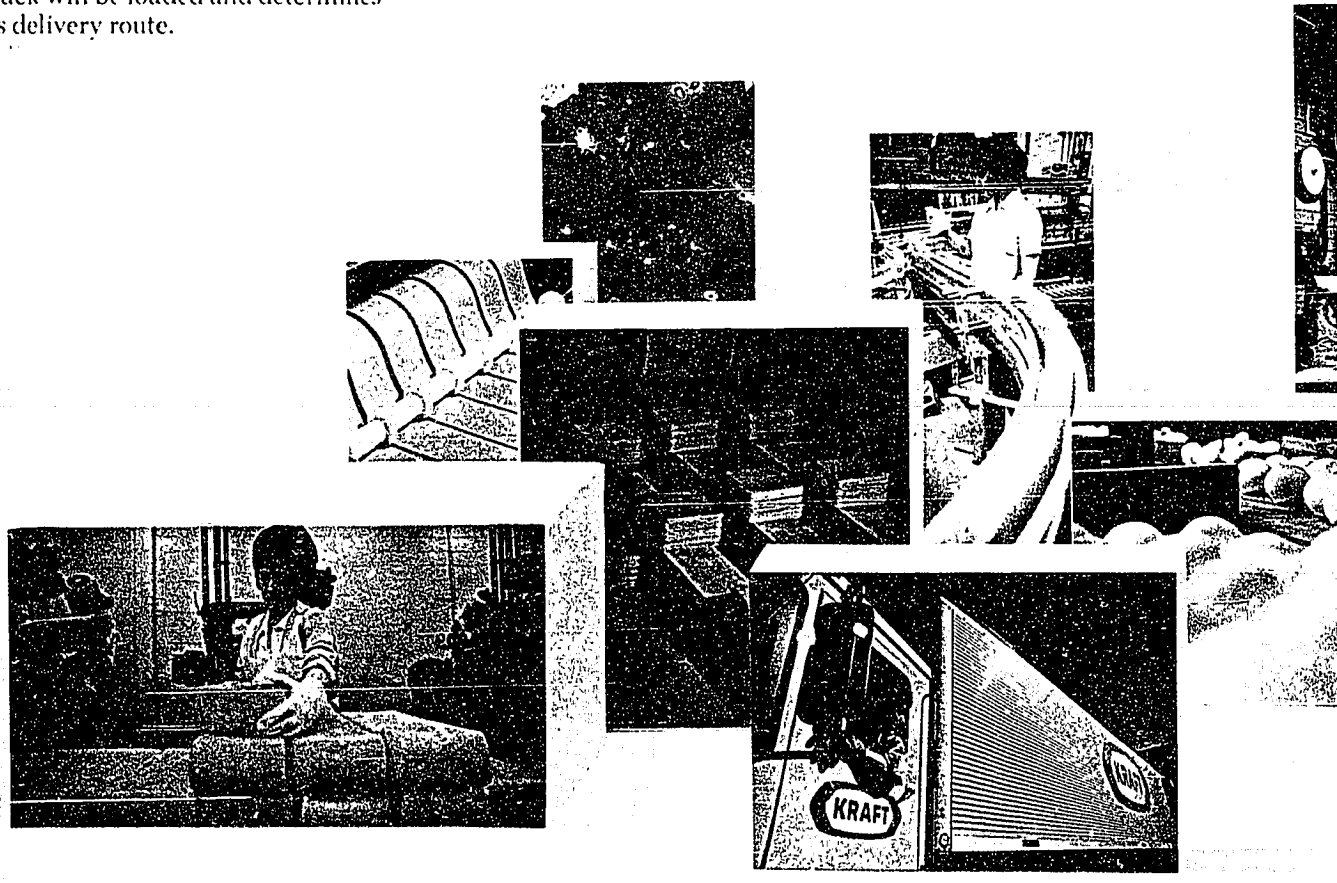
Kraft's worldwide foodservice tonnage in 1976 increased 1.9 percent over the previous year for a total sales volume of $650 million. These results include foodservice operations of all domestic and international units.

During the past year, the Industrial Division marketed an imitation pasteurized process cheese product. This totally vegetable-oil-based product has proved itself an excellent replacement for part or all of the natural or process American cheese requirements of industrial food products. It also carries an attractively low price. An imitation mozzarella cheese is currently in industrial test market.

In the nonfood area, Humko Sheffield Chemical, whose sales tonnage increased during 1976, expanded its amine business in the United Kingdom. Amines are organic compounds derived from animal or vegetable fat. Also, Humko Sheffield established a new line of peptones, which are nutritious materials derived from proteins. Both amines and peptones are sold as raw materials to other industries.

In the consumer durables market, Aluminum Specialty Company introduced a line of cookware which features a new nonstick coating called *Slick-Kote*. Aluminum Specialty's dollar volume leader in 1976 was the *Fry Bucket* electric deep fryer, designed for efficiency in preparing small portions. A line of toy cookware, child-sized replicas of Revere and Corning products, sold well.

The Operations Group purchases many raw agricultural materials on a corporatewide basis. Materials are processed into finished products and distributed by the Operations Group, for marketing by the Retail Food Group and the Food Service Division. The group maintains and operates more than 50 facilities across the country, ranging from single-process installations to six sophisticated multiproduct manufacturing and distribution centers located at Lehigh Valley, Pa., Decatur, Ga., Champaign, Ill., Springfield, Mo., Garland, Tex. and Buena Park, Calif.



Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

During 1976, the Dairy Group re-entered the Detroit market with its complete line of products. The group entered the Minneapolis market for the first time, where the full line of frozen desserts is available.

Total fluid milk sales declined during 1976 as the company withdrew from the processing of fluid milk in Cleveland and Philadelphia, after exhausting available means to maintain volume and profitability in those operations. However, all other Dairy Group products are readily available in those markets.

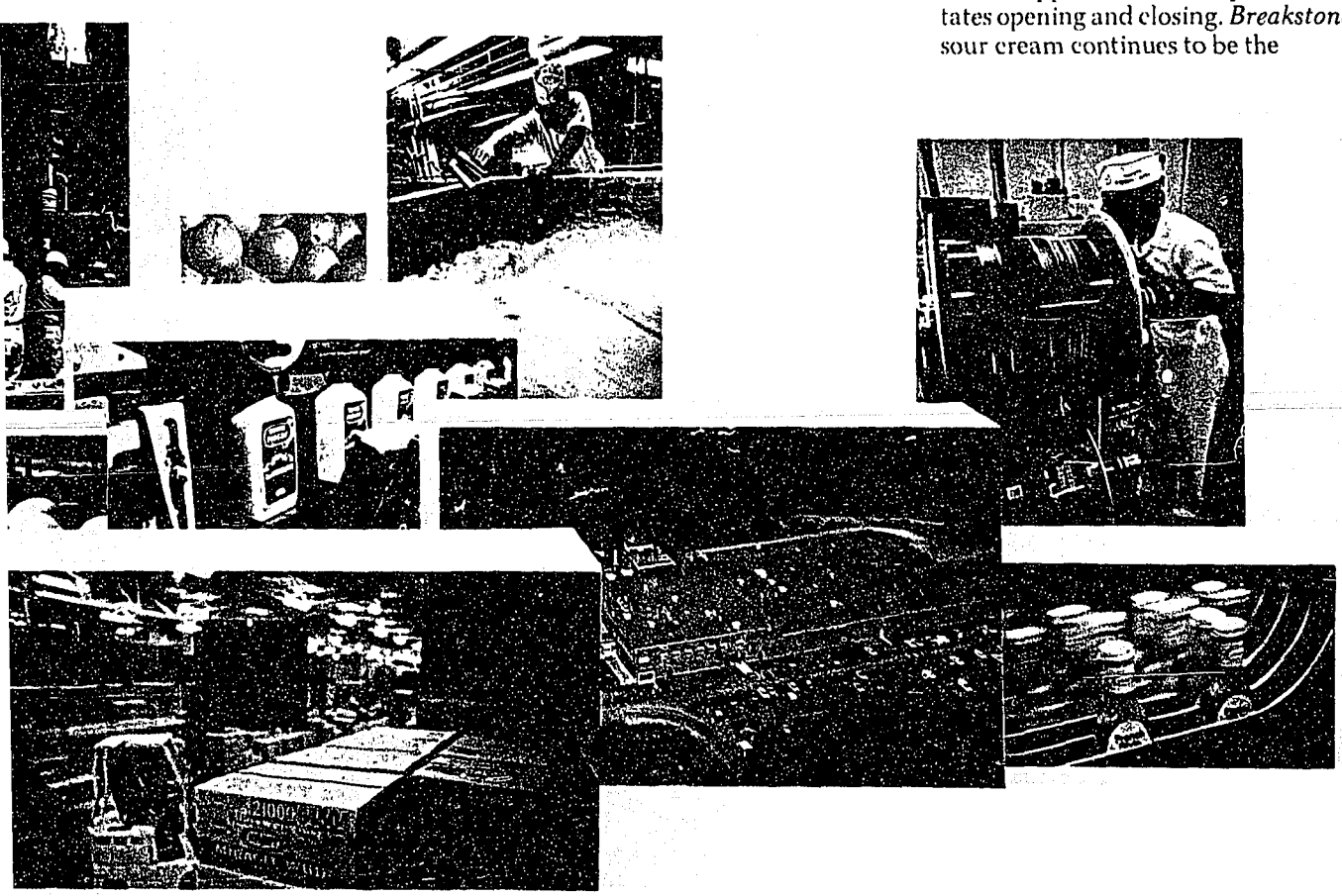
In other dairy product lines, Kraft's familiar brand names, including *Sealtest*, *Breyers*, *Light n' Lively* and *Breakstone*, are perhaps the strongest in the industry. The *Sealtest* name has a well-established reputation for high quality. The *Breyers* trademark stands for premium, all natural ingredients, in addition to top quality. *Breyers* enjoys strong loyalty among lovers of fine ice cream, and a high quality

yogurt in test market under the *Breyers* name has been well received. The well-known *Light n' Lively* name offers the dietary consideration of a lower fat content while maintaining taste appeal. The *Breakstone* trademark carries the promise of traditional quality and craftsmanship, backed by a century of experience.

Our successful target marketing strategy for selling ice cream—in which the *Sealtest*, *Breyers* and *Light n' Lively* brands are each positioned to appeal to a specific segment of the total market—*is* being applied in new campaigns, launched early in 1977, to the company's branded cottage cheeses: *Sealtest*, *Breakstone* and *Light n' Lively*.

Total U.S. ice cream industry tonnage declined by about 3 percent in 1976, according to U.S. Department of Agriculture estimates. By comparison, Kraft's 1976 tonnage was just 1.4 percent under 1975. The major share of the company's tonnage is in branded, packaged ice cream, and these lines advanced 4.3 percent in 1976 for substantial improvements in market share

The *Breyers* 1976 program included improved packaging. A special inner seal helps preserve freshness of the product after the carton has been opened by the consumer. In addition, a redesigned lid, with a zipper-like tear-strip, facilitates opening and closing. *Breakstone* sour cream continues to be the



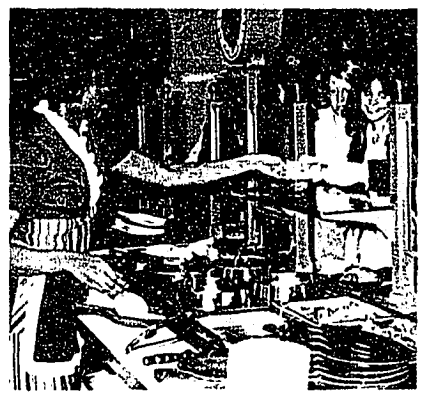
Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

nation's leading brand despite its limited geographic distribution. With sales of *Sealtest* sour cream added to those of *Breakstone*, Kraft is the largest factor in this market. *Breakstone* sour-cream-based refrigerated dressings were successfully introduced into many new markets.

Paced by *Light n' Lively*, the nation's leading Swiss-style yogurt, the company's yogurt brands are gaining new consumers in the fast-growing and highly competitive U.S. market. Kraft's sundae-style yogurts are *Breyers* and *Stay 'n Shape.*

Another dimension of consumer marketing is that of special programs to serve the needs and preferences of selected population groups within the United States. Kraft conducts a number of such ethnic programs. Specialized products are provided on a seasonal basis to Jewish consumers. Advertising and promotion in Spanish-speaking areas are conducted in that language. Shopping patterns in black communities offer opportunities for still another marketing approach. These ethnic marketing programs represent an essential aspect of the company's total effort.

Through the International Division, the company introduced a number of new products into overseas markets. Like all Kraft products, these are developed to meet the needs and wants of the consumer in each particular market. A current example comes from the Philippines, where continuing inflation has forced many consumers to discontinue the use of cheese on a regular basis. With Kraft's introduction of an eight-ounce package of processed



filled cheese spread at a substantially lower price, many consumers again are able to include this valuable food in their daily diet. Sales are growing monthly. From a nutritional standpoint, this *Kraft* processed filled cheese is comparable to the regular product, having the same high protein content. Further, the vegetable fat used as a replacement for butterfat is produced in the Philippines. In Mexico, a similar economic situation exists, and in 1976 Kraft successfully introduced *Eden* filled cheese loaf to offer consumers the choice of a lower priced nutritious product.

In Australia, individually wrapped process cheese slices and an aged

The Foodservice Division, a part of the Foodservice and Industrial Group, markets a broad line of food products and supply items to restaurants, hotels, fast-food chains, vending and contract foodservice companies, schools, hospitals and other institutions in this rapidly expanding market. It sells a variety of products developed specifically for the foodservice business, as well as some Kraft products that are sold in retail grocery stores.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

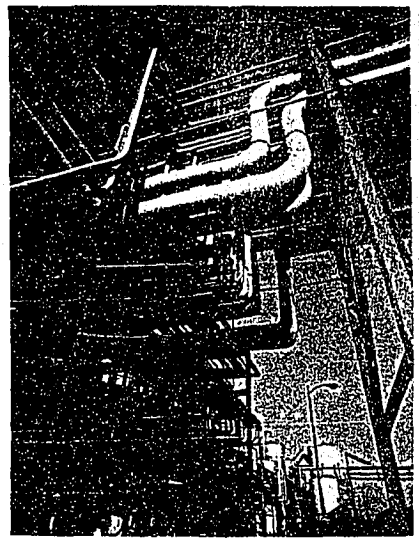
natural cheddar which is sold under the *Mil Lel* label are now available to consumers. The successful meat products line was expanded with the addition of two varieties: beef steak and beef curry. These meat products, which are produced at Port Melbourne, have enjoyed good sales and increased tonnage.

In Germany, Kraft introduced several new varieties of process and natural cheese slices, and home-baking mixes for butter biscuits, hazelnut macaroons and orange cake. *Vallé*, a new soft margarine and the only product of its kind on the market, has achieved great success in Italy during its first year of national distribution.

The most significant new product introduced in the United Kingdom was *Kraft* individually wrapped cheese slices in two varieties, cheddar and Cheshire, and in three package sizes. The company also launched two varieties of *Philadelphia* Brand cream cheese: Garlic & Herbs, and Chives. New frozen food products for the British market included chicken and mushroom pies; steak and kidney pies; egg, ham and cheese pies; and cocktail sausage rolls.

Kraft's worldwide marketing programs were supported in 1976 with advertising expenditures of $101.9 million. The U.S. advertising program was highlighted by sponsorship of five television "specials" which drew large audiences. A chapter of the American Marketing Association presented an advertising-effectiveness award for the "specials" campaign, in which recipes featured on the television commercials also appeared the same week in *TV Guide* magazine.

During the past year, Kraft advertising made increasing use of radio and printed publications. This trend is due in part to considerations of cost-effectiveness because of the rising cost of prime-time television, and in part to the lack of suitable quality programming that meets Kraft's standards.



The Industrial Division and Kraft's four nonfood operations constitute a major portion of the Foodservice and Industrial Group's business. The Industrial Division manufactures and markets refined vegetable oils, shortenings, coffee whiteners, products and ingredients for use by food industry manufacturers, and animal feed products; Humko Sheffield Chemical provides specialty chemicals; Metro Containers manufactures glass packaging; Universal Packaging makes and prints paper and flexible packaging materials; and Aluminum Specialty Company produces cookware, small appliances and toys.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Production and Technology

More than one-half billion dollars, about one-third of Kraft's total assets, are invested in land, buildings of many kinds and a vast array of equipment. These investments are under continual management review. Existing plants and facilities are kept up-to-date with the incorporation of the latest technology to improve efficiency and to assure the highest uniform quality in all Kraft products. New processing and distribution centers are constructed on a planned basis to assure adequate capacity to meet the growing needs of the world marketplace.

In 1976, capital expenditures amounted to $86 million, slightly under Kraft's average of $91 million during the past five years. The major share was used for improvements and expansion of the company's retail food and foodservice businesses and for environmental control improvements. A look at how some of this money is being used provides insight into the company's latest interests and some of the plans it has made for the future.

Among the company's larger current commitments are: the trucks, warehouses and modification of facilities to meet the needs of Kraft's expanding foodservice business; a new plant for processing whey at Canton, N.Y.; and a research and development installation at Stockton, Ill. The latter separates protein from whey by ultrafiltration, a necessary step in the preparation of whey protein for use as a substitute for nonfat dry milk solids in a variety of food products.

Other major improvements underway during 1976 were: enlarging the multiproduct processing and distribution center at Garland, Tex., including expanded salad product capacity, a *Wrapples* production line, and more warehouse space; facilities to produce *Philadelphia* Brand cream cheese in rigid containers at Springfield, Mo.; and the addition of 99,000 square feet to the distribution center at Decatur, Ga., providing sufficient storage to meet anticipated needs through 1980.

New processing and packaging equipment to produce Kraft's nondairy sour dressing dips was installed at Beaver Dam, Wis. Additional ice cream production equipment was provided at Jacksonville, Fla., and Framingham, Mass. In Champaign, Ill., a finished goods warehouse, as

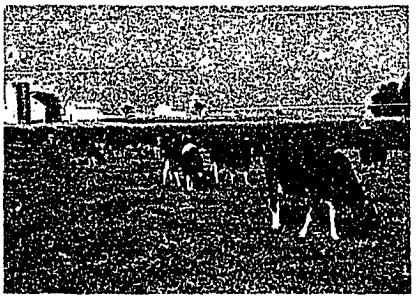
Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

tall as a four-story building, went into operation at year-end.

The Industrial Division, Universal Packaging, Humko Sheffield Chemical and Metro Containers all improved their production capabilities during the year.

In Germany, Kraft completed the conversion from milk cans to tank trucks in its milk-collecting operation, and started construction of a third cake-mix production line at Karlsruhe. The cheese-making capacity at Mil Lel, South Australia, was enlarged. Also in Australia, a new plant in Sydney will begin production, in mid-1977, of *Vegemite*. the popular yeast spread.

The company completed installation of computerized systems to provide Kraft's dairy operations in



Canada with increased data processing capability. A central computer system also has been designed for Kraft operations in the Common Market nations. The system is based in the United Kingdom and will be fully operational in 1977. These projects illustrate the uniform application of technology throughout the company.

Kraft also invested in equipment to protect the environment during 1976. New cooling towers were erected at Lakeland, Fla., to permit the recycling of water, reducing usage by 80 percent and helping to alleviate the problem of a falling water table in central Florida. Wastewater treatment systems at Kraft facilities in Illinois and New York were improved and enlarged. Kraft's environmental controls are effective in reducing water bills and waste treatment charges and in lessening the loads on municipal facilities. Such efforts have been recognized: a 1976 Environmental Quality Award was presented by the U.S. Environmental Protection Agency to the Kraft cheese and whey drying plant in Albany, Minn., the only industrial plant in the state to be so named.

The company's program to conserve energy of all kinds continued without abatement in 1976, using highly sophisticated procedures in some situations. As one example, a computer has been programmed to monitor electrical energy use

The Dairy Group has traditionally manufactured and distributed products primarily in the eastern half of the country. Some of the company's operations originated in the early 19th century, and these are consolidated within this organization. The Dairy Group is noted for its successful marketing strategies on behalf of branded products. Among such lines, *Sealtest* fluid milk products have recently undergone dramatic packaging design changes that bring a modern, uniform appearance to these products displayed in the dairy case. Dominion Dairies Limited, a Canadian subsidiary, operating in the Provinces of Ontario and Quebec, reports to the Dairy Group.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

throughout the multiproduct processing and distribution center at Champaign, Ill., to balance consumption, minimize load peaks and reduce costs. This application of computer control is being studied for use at other Kraft locations.

Kraft has established new specifications for trucks and automotive equipment to decrease fuel consumption, including the use of radial tires, wind deflectors and other equipment.

A substantial reduction in energy requirements for processing vegetable oils was accomplished through modification of the refining methods used. The Industrial Division reported an improvement of 17 percent in efficiency of energy use since 1972, with 7 percent achieved last year alone. This is well ahead of goals set by the Federal Energy Administration. As a result of these and related efforts, Kraft has achieved an overall energy efficiency improvement of approximately 9 percent since 1973. Nevertheless, the company's energy costs have continued to rise.

In another application of contemporary technology, a sensory evaluation program was developed at the corporate research and development laboratories to measure, analyze and interpret reactions to characteristics in food and food materials which are perceived through sight, smell, taste, touch and hearing. The purpose of sensory evaluation is to provide information for predicting consumer response and product acceptance. Sensory evaluation tests can be an effective tool in measuring quality changes, ingredient substitutions, shelf life and other subtle aspects of product development.

The Kraft International Division is engaged in food processing and distribution outside the United States and Canada. Manufacturing operations are in Australia, Belgium, Denmark, Germany, Ireland, Italy, Mexico, New Zealand, Panama, Philippines, Spain, Sweden, United Kingdom and Venezuela. The MK Cheese Co., Ltd., jointly owned by Kraft and Morinaga Milk Industry Co., Ltd., produces cheese products in Japan. Products are marketed, principally under the *Kraft* trademark, in more than 135 countries. Many of the division's products are specially developed to suit local tastes and traditions. Kraft's knowledge of international markets is based on long experience. The company began operations in England in 1924, in Australia in 1926, and in Germany in 1927.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Concern for People

The most important single factor in a company's accomplishments is the spirit and attitude of individuals throughout the organization. At Kraft, the dedication to and understanding of a common purpose has made possible the advances of 1976.

Concern for employee safety is an integral aspect of Kraft operations, and the company broadened its activities in this area during 1976. The President's Safety Award and the Fleet Safety Award competitions are conducted annually on a worldwide basis, with honors given to locations with the lowest accident rates.

The company continually investigates a variety of ways to lower the number and severity of injuries to employees, both on and off the job. A pilot program designed to promote safety awareness and improved work habits by offering prizes as incentives, was tested successfully in three Dairy Group districts. The results showed such promise that the program, known as "Score with Safety," is being extended throughout the group.

The employment and advancement of minorities and women at Kraft continued to increase in 1976 throughout the entire organization and in the upper four EEO-1 job categories. Progress also was made in the placement of handicapped persons and Vietnam-war-era veterans.

An increasingly important part of the company's urban affairs activities is the "Plant City Affirmative Action Task Force Group" program, in those cities with more than one Kraft location and sizable minority populations. Together, local Kraft managers plan and execute affirmative action projects. The program was introduced during the year in Boston and Los Angeles, raising the total number of major cities involved to six.

Kraft affirmative action programs emphasize minority education, employment and business enterprise. In addition to the participation of Kraft people, the company provides financial support to community projects and to scholarship funds for minority students. At the corporate level, three new educational scholarship programs were established with

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Kraft funds to be administered by minority organizations, including the National Association for the Advancement of Colored People.

In recent years, Kraft has established a solid foundation in minority economic development with a number of continuing programs. During 1976, a new approach to corporate-wide purchasing from minority vendors was inaugurated. By year-end, Kraft purchases in the minority community had increased substantially over 1975. As part of Kraft's expanding relationship with minority banks, a black-owned bank was included during 1976 in the centralized national disbursement system, used to make payments to company suppliers. In addition, the company increased the level of its line of credit, by $1 million, with a consortium of 22 black, Mexican-American and American Indian banks.

An Informed Consumer

In a period of growing public interest in the policies and practices of the food industry, Kraft consumer information programs in a number of nations have gained increased recognition for their contributions to a general understanding of food and nutrition matters. These programs utilize a variety of means to reach the public: teaching aids, consumer booklets, service-oriented advertising and editorial materials prepared for the press and radio.

One aspect of this multifaceted effort is called the "Consumer's Right to Know." Now in its third year in the United States, this program has been adapted for other English-speaking nations. It is issue-oriented and is directed to opinion leaders in education, government, industry and the media.

The U.S. program addresses itself to current consumer concerns that affect the food industry, such as: the Universal Product Code, labeling, the impact of energy costs on food prices, additives, nutrition, food safety, quality control procedures and government regulations. The most recent "Consumer's Right to Know" newsletter examines responsibilities of the consumer in these areas.

In addition to these quarterly newsletters, more than 400,000 spe-

Kraft Limited of Canada processes and distributes nearly all the Kraft retail food products available in the United States, in addition to peanut butter, honey and varieties of citrus marmalades. It has six manufacturing plants, the largest at Mt. Royal, Que., near Montreal, the divisional headquarters. Kraft's Canadian operations began in 1920.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

cial consumer information booklets have been distributed since the U.S. program was launched in February 1975. The latest is titled "The Food Industry . . . a quality story." It describes quality control procedures used in development, production and distribution.

A second annual series of one-minute public service radio announcements directed to the black community was broadcast during 1976 over a volunteer network of 130 stations. Each of the 65 tapes contains a short discussion related to nutrition, meal planning, shopping skills, food additives and manufacturing practices.

During the year, Kraft convened a group of consumer educators to review the entire U.S. program. Their consensus was favorable in every respect, with particular approval of the manner in which the "Consumer's Right to Know" materials conveyed the viewpoint of industry to those educators who may have little or no practical experience in business.

In February 1976, Kraft Limited distributed the first newsletter in a "Consumer's Right to Know" program for educators and other opinion leaders in Canada. The program is based on the conviction that the best practical means of improving nutrition in Canada is to teach that subject in the classroom. In support of that goal, the program communicates information about contemporary food- and nutrition-related issues in a factual and non-commercial manner.

The Canadian program calls for a basic knowledge of nutrition and its relationship to good health at a level similar to a high school graduate's comprehension of mathematics or literature. By supplying information and teaching aids, the program is designed to help present and future Canadian consumers contribute more knowledgeably to their own good health through proper selection, preparation and consumption of food.

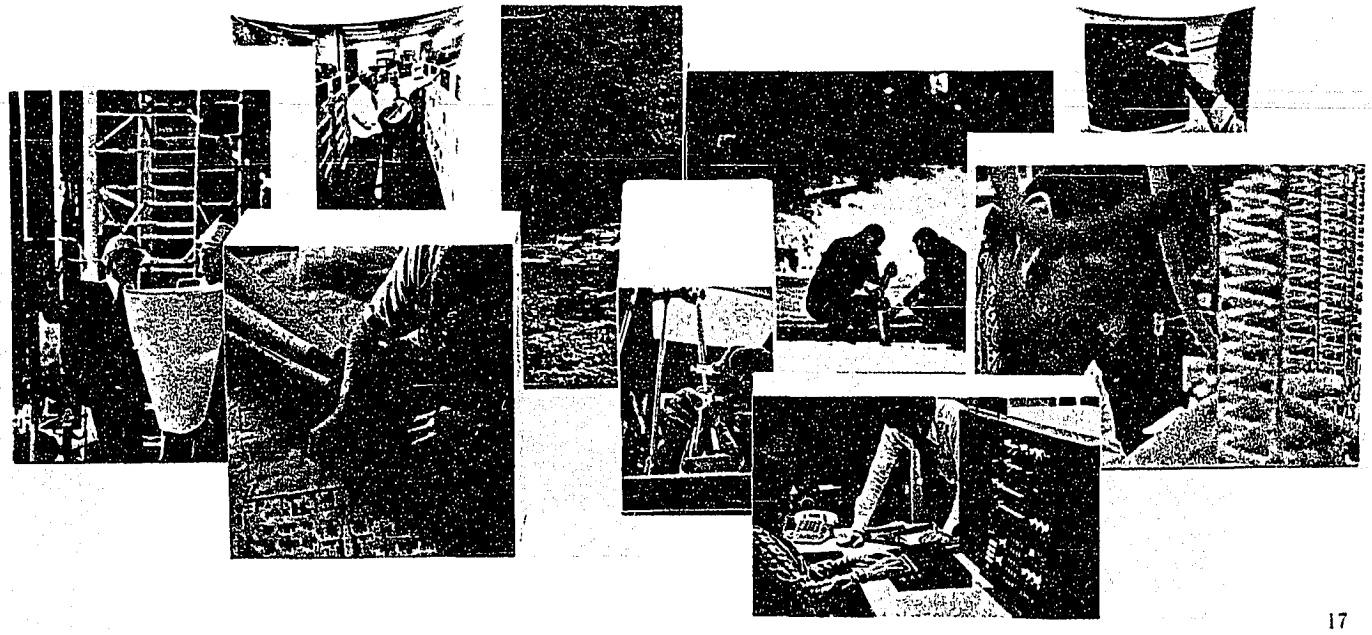
In August, Kraft took yet another approach to nutrition education for consumers in the United Kingdom. This effort features a series of leaflets, each of which discusses particular circumstances in which nutritionally unbalanced meals are likely to be eaten. Improving the quality of bag lunches packed at home for workers and for school children is the nutritional subject initially selected for the series. The leaflets are made available in quantity without cost to doctors, clinics, health education officers and other professional people whose work includes giving advice on nutrition.

Another feature in the British "Consumer's Right to Know" program is a nutrition-knowledge competition for students. Schools from all parts of the United Kingdom were invited to participate, and judging took place at the Kraft Kitchens in Cheltenham. Winners were selected on the basis of their understanding and application of the principles of sound nutrition.

The goal of the British program—making full use of Kraft's technical expertise in food and nutrition, with assistance from outside medical consultants—is to develop a continuing, workable campaign that eventually can be turned over to an independent body, financed jointly by the food industry and the government.

These "Consumer's Right to Know" programs are current additions to Kraft's long-term commitment to improve consumer understanding of food and nutrition in those nations where the company operates.

Technical Services provides support to all operations in three areas: engineering (design and construction, contracting, equipment research); computer systems (design, development, operation and systems management); and quality assurance (product quality and safety, compliance with company standards and government regulations, plus environmental control and energy conservation policy).



Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Sales

Kraft worldwide sales during 1976 reached a record $4.98 billion, compared to $4.86 billion in 1975, and $4.47 billion in 1974, representing increases of 2.5 percent and 8.6 percent, respectively.

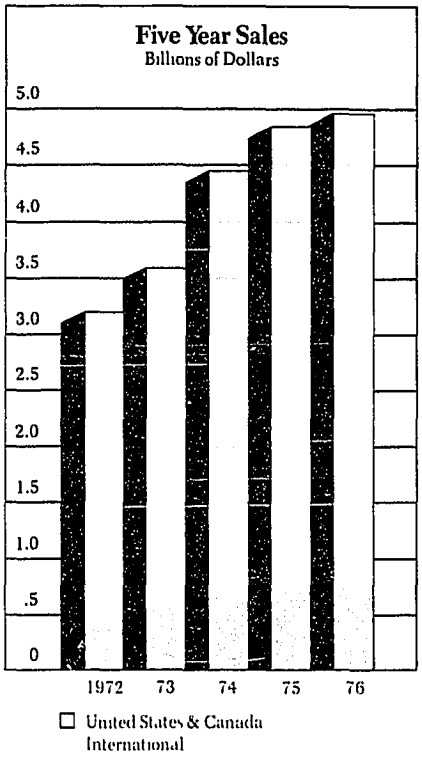
Sales outside the United States and Canada were $750 million, a decline of 1.8 percent from 1975 sales of $764 million, due primarily to lower currency translation rates in 1976. Sales in 1975 were 11.9 percent over 1974 sales of $682 million.

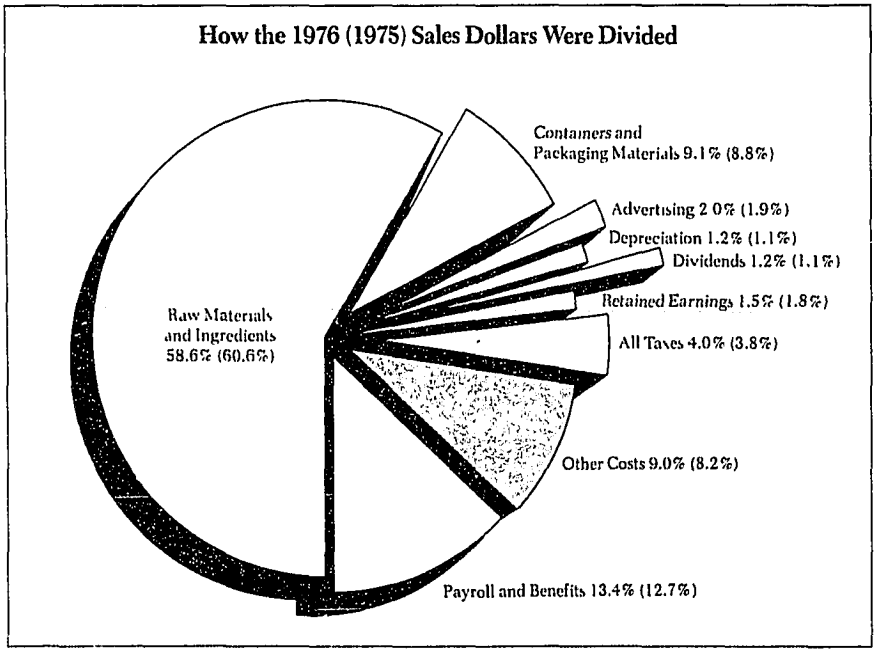
Sales tonnage set records in each of the respective years. The gain in tonnage accounts for about one-half of the dollar sales increase in 1976, while higher selling prices, necessary to recover increased costs, represented a more substantial portion of the 1975 dollar sales increase.

The accompanying table, reporting five-year sales by class of products, indicates that manufactured dairy products and processed foods have accounted for the largest portion of sales increases over the five-year period. The changes in percentage relationships of manufactured dairy products and processed food products in 1974 and 1975 were largely the result of a temporary decrease in the price of cheese and a temporary increase in the price of vegetable oil, which were reflected in the company's selling prices of the products using these raw materials. Sales of fluid milk products over the five-year period reflect the company's phase-out of certain products in some marketing areas, and complete withdrawal from other marketing areas.

Five-Year Sales by Class of Products
(As a Percent of Total Net Sales)

	1976	1975	1974	1973	1972
Manufactured Dairy Products	44.1	41.3	40.4	44.2	43.7
Processed Food Products	36.9	39 7	40.5	36.3	35.4
Fluid Milk Products	9.1	9.4	9.8	11 1	12.4
Ice Cream & Frozen Desserts	5.8	5.8	5.2	5.2	5.5
Other Products	4.1	3.8	4.1	3.2	3.0




How the 1976 (1975) Sales Dollars Were Divided
Containers and Packaging Materials 9.1% (8.8%)
Advertising 2.0% (1.9%)
Depreciation 1.2% (1.1%)
Dividends 1.2% (1.1%)
Retained Earnings 1.5% (1.8%)
All Taxes 4.0% (3.8%)
Other Costs 9.0% (8.2%)
Payroll and Benefits 13.4% (12.7%)
Raw Materials and Ingredients 58.6% (60.6%)

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Earnings

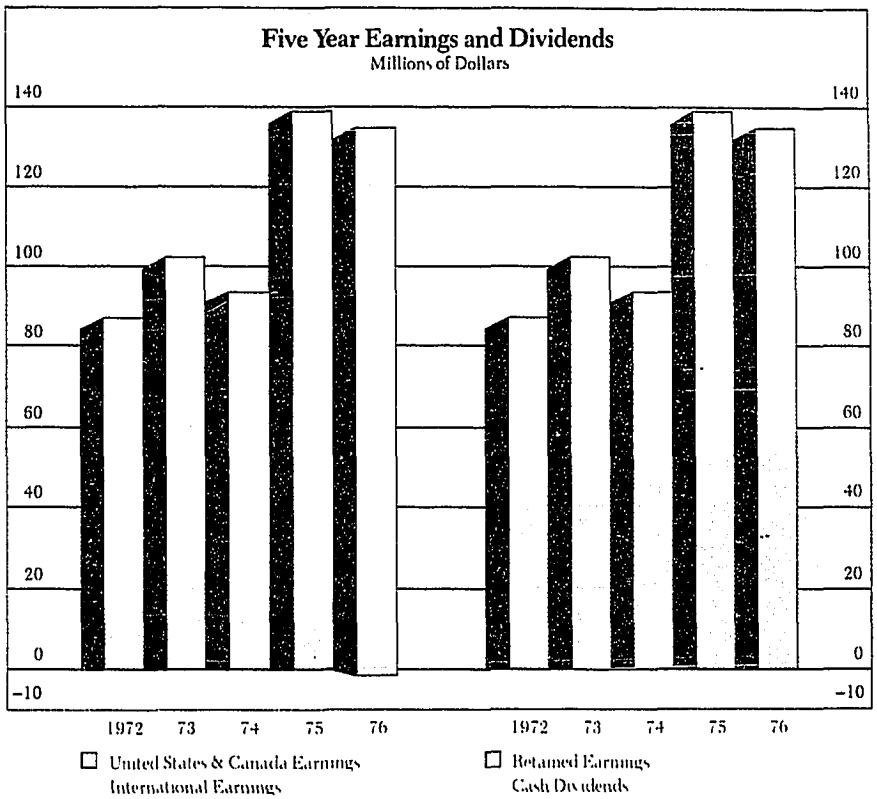
Net income for 1976 was $135.6 million or 2.8 percent less than 1975 net income of $139.5 million which, in turn, was 47.5 percent higher than 1974 net income of $94.6 million. Earnings per share in 1976 were $4.86, a decrease of 15¢ per share from the previous year. The lower 1976 net income was due to International Division operations and fluctuations in foreign currency values, with a resulting higher effective income tax rate.

Earnings per share were $5.01 in 1975, an increase of $1.60 from 1974. Improved margins, increased sales tonnage, reduced interest expense, and continuing cost efficiencies were factors contributing to the 1975 results.

In comparing results with 1974, it is important to note that 1974 earnings were reduced by $15.3 million, or 55¢ per share, due to the sharp decline in the cheddar cheese market. A comparison of earnings prior to the cheese price adjustment would show a 1975 increase of $29.6 million, or 26.9 percent.

Domestic cheese costs rose and fell in an erratic pattern during the first part of 1976, but a sharp decline in the wholesale price of cheddar cheese in September enabled the company to reduce its fourth quarter selling prices for most cheese products. Although adversely affecting income for the period, lower prices should lead to improved consumption of cheese products.

If U.S. operations had been charged with replacement cost at the time of sale rather than average cost for two major raw ingredients, cheese and vegetable oil, profits would have been reduced approximately 22¢ per share for the year 1976, and 45¢ per share in 1975.



The U.S. investment tax credit increased net income per share by 21¢ in 1976, 19¢ in 1975, and 11¢ in 1974. Translation of foreign currency balance sheet accounts increased earnings per share by 2¢ in 1976 and 8¢ in 1975, and decreased earnings 11¢ per share in 1974. In addition, net income was reduced 22¢ per share in 1976 as a result of charging inventories to cost of products sold at historical exchange rates in accordance with Financial Accounting Standards Board (FASB) Statement Number 8, which became effective in 1976.

Pre-tax income was a record $278.0 million in 1976, an increase of 3.7 percent over the $268.2 million earned in 1975. All taxes on income, including state and local, amounted to $142.4 million, 10.7 percent more than the $128.7 million in 1975.

Pre-tax income of the Kraft International Division was $12.0 million for 1976. However, the division showed an after-tax loss of $1.2 million compared to a profit of $18.8 million for 1975, a reduction of 71¢ per share. Improved results in several International operations were more than offset by: higher than expected start-up costs and operating losses (which are not currently tax deductible) at the new plant in Namur, Belgium; losses in the United Kingdom; and fluctuations in foreign currency values.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Losses related to the Namur plant are due to a combination of factors. Because of depressed European economic conditions, market demand has been lower than had been anticipated. Additionally, more than normal technical and operating problems have occurred. Management of the plant has been changed and action is being taken to correct the production problems. At this time, however, the company is unable to predict when the plant will become profitable because improved results depend in part on a general economic recovery in Western Europe. Charges in 1976 associated with the Namur plant reduced earnings approximately 58¢ per share, compared to about 16¢ per share in 1975 when the plant began preliminary operations. It is anticipated that production capacity at Namur will prove increasingly beneficial as Europe's economy recovers and as Kraft's market requirements attain planned volume.

Dividends

Dividends totaling $58.9 million were paid to stockholders in 1976, compared to $53.3 million in 1975, an increase of $5.6 million. Dividends per share were $2.12 in 1976, and $1.92 in 1975.

Dividends paid to Kraft stockholders have resulted in yields that have been higher than the average yields for the stocks included in both the Standard & Poor's "400 Industrials Index" and its "Food Composite Index." The graph on this page entitled "Annual Dividend Yield" reveals the 10-year performance for Kraft relative to those averages.

Stock Price Range

The following table shows the high and low prices of Kraft stock by quarters for 1976 and 1975.

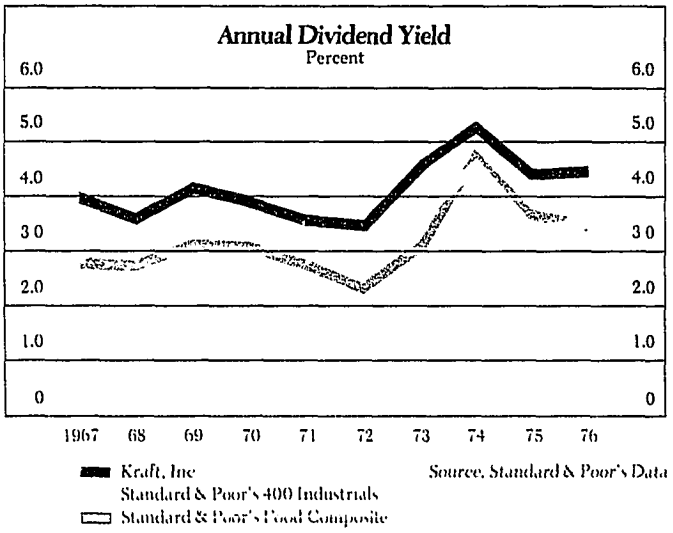
	1976 (Composite of six U.S. Stock Exchanges)	1975 (New York Stock Exchange)
1st Qtr.	$45 7/8 – $41 3/4	$41 3/4 – $34
2nd Qtr.	$44 3/4 – $40 3/4	$41 3/4 – $37 1/8
3rd Qtr.	$46 3/8 – $43	$41 3/8 – $36 1/8
4th Qtr.	$47 1/2 – $43 1/2	$45 3/8 – $36 1/8

Product and Operating Costs

The cost of Kraft products, including raw materials, packaging and processing expenses, was 80.2 percent of sales in 1976, compared to 80.7 percent in 1975 and 81.6 percent in 1974. The favorable reduction resulted from recovery of increased costs through increased selling prices, particularly for cheese products. While domestic cheese costs fluctuated during the three years, average costs were higher in each of the years. Vegetable oil costs in 1976 and 1975 were lower than in 1974.

Delivery, sales and administrative expenses were 13.9 percent, 13.4 percent and 13.7 percent of sales in 1976, 1975 and 1974, respectively. The largest cost increase in 1976 was distribution expense, primarily due to higher freight costs. Advertising costs were $101.9 million (2.0 percent of sales) in 1976, compared with $93.3 million (1.9 percent of sales) in 1975, and $89.4 million (2.0 percent of sales) in 1974.

Net interest costs in 1976 were $22.5 million, a decrease of $5.2 million from $27.7 million in 1975. The decline was due to decreased borrowing requirements during 1976 and to lower interest rates.



Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

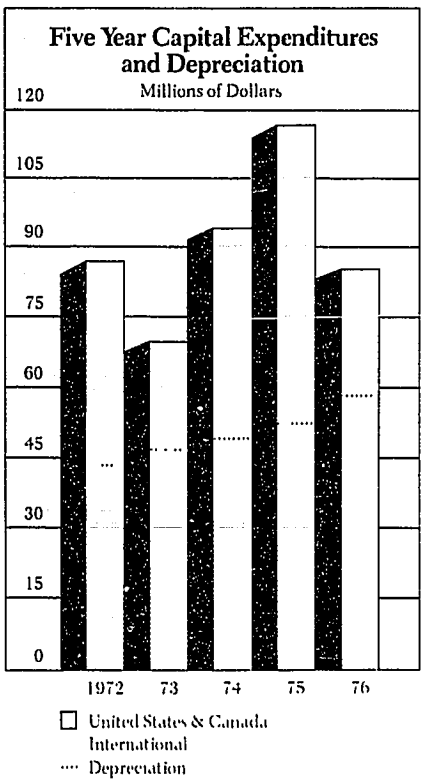
Translation of Foreign Currencies

Beginning in 1976, the company translated assets and liabilities of international and Canadian subsidiaries in accordance with FASB Statement Number 8. The effect on earnings of fluctuations of international currency exchange rates during 1976 is summarized in the accompanying tables. See also comments on Translation of Foreign Currencies in the Notes to Consolidated Financial Statements.

Gains (Losses) (In thousands)	U.S. and Canada	International other than Canada	Worldwide Total
Balance Sheet Accounts:			
Before income taxes	$1,739	$(615)	$1,124
Income taxes	$ (653)	—	$ (653)
After income taxes	$1,086	$(615)	$ 471

In addition, earnings for the year were affected by charging inventories to cost of products sold at historical exchange rates rather than the rate in effect at the time of sale.

Gains (Losses) (In thousands)	Canada	International other than Canada	Worldwide Total
Effect on Cost of Products Sold	$1,258	$(7,610)	$(6,352)



Capital Expenditures

Capital expenditures amounted to $86.3 million in 1976. Expenditures in the United States and Canada, primarily for facilities to manufacture processed foods, dairy and nonfood products, accounted for $67.4 million of the total. In the Kraft International Division, capital expenditures were $18.9 million, a substantial reduction from 1975 and 1974 levels, when the Namur plant was under construction. Approximately $95 million of capital expenditures are anticipated in 1977. Depreciation charges amounted to $57.8 million in 1976 and are estimated to be $61 million in 1977.

Long-Term Financing

In January 1977, the company issued $100 million of thirty-year 7.6 percent Sinking Fund Debentures. These debentures received the highest rating, triple-A, by both major bond rating agencies.

Legal Matters

Several governmental agencies have requested information from the company in connection with investigations being conducted by them. One such investigation, which the Federal Trade Commission has been conducting over a period of several years, relates principally to the long-standing arrangement under which the company sells refrigerated dough bakery products manufactured by The Pillsbury Company to the retail trade.

See also the comments on Contingent Liabilities in the Notes to Consolidated Financial Statements.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Consolidated Balance Sheet
(Dollars in thousands, except par value)

Assets	Dec. 25, 1976	Dec. 27, 1975
Cash and temporary investments (see note)	$ 37,301	$ 33,482
Notes and accounts receivable, less allowance for losses of $7,954 in 1976 and $7,988 in 1975	310,654	304,690
Inventories (see note)	763,353	706,624
Total current assets	1,111,308	1,044,796
Property, plant and equipment, at cost, less depreciation (see note)	605,595	583,929
Miscellaneous investments and receivables (see note)	56,006	12,215
Prepaid and deferred items	15,047	11,444
Intangibles (see note)	33,898	34,133
	$1,821,854	$1,686,517

Liabilities and Stockholders' Equity

Accounts and drafts payable and accrued liabilities (see note)	$ 352,524	$ 355,006
Short-term borrowings (see note)	103,894	57,114
Federal and foreign taxes on income (see note)	60,744	72,412
Current portion of long-term debt, less amounts provided for payment ($4,050 in 1976 and $15,050 in 1975)	1,039	1,025
Total current liabilities	518,201	485,557
Long-term debt (see note)	220,757	215,533
Deferred taxes on income (see note)	44,798	32,299
Minority interest in subsidiary	2,979	2,831
Miscellaneous	19,213	11,821
Stockholders' equity (see note):		
Preferred stock, $1.00 par value—authorized 10,000,000 shares, issued—none	—	—
Common stock, $2.50 par value—authorized 60,000,000 shares	73,628	73,628
Capital surplus	49,337	49,324
Retained earnings	962,682	885,951
	1,085,647	1,008,903
Less—Treasury stock, at cost	69,741	70,427
Stockholders' equity	1,015,906	938,476
	$1,821,854	$1,686,517

Contingent liabilities (see note)

(See Notes to Consolidated Financial Statements, pages 25-28.)

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Consolidated Statements of Income and Retained Earnings

(In thousands, except per share)

Consolidated Statement of Income	52 Weeks Ended Dec. 25, 1976	Dec. 27, 1975
Net sales	$4,976,643	$4,857,378
Costs and expenses:		
Cost of products	3,990,939	3,920,605
Delivery, sales and administrative expense	691,762	649,994
Interest expense, net	22,482	27,724
Other (income) and charges, net	(6,576)	(9,174)
Total	4,698,607	4,589,149
Income before taxes	278,036	268,229
Provision for taxes on income (see note)	142,386	128,678
Net income	$ 135,650	$ 139,551
Net income per common and common equivalent share	$ 4.86	$ 5.01
Net income per common share assuming full conversion of the 7½% Convertible Bearer Bonds due 1985	$ 4.80	$ 4.95
Average number of common and common equivalent shares	27,911	27,854

Consolidated Statement of Retained Earnings	52 Weeks Ended Dec. 25, 1976	Dec. 27, 1975
Balance at beginning of year	$ 885,951	$ 799,705
Net income	135,650	139,551
Dividends on common stock ($2.12 per share in 1976 and $1.92 in 1975)	(58,919)	(53,305)
Balance at end of year	$ 962,682	$ 885,951

(See Notes to Consolidated Financial Statements, pages 25-28.)

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Consolidated Statement of Changes in Financial Position
(In thousands)

	52 Weeks Ended	
	Dec. 25, 1976	Dec. 27, 1975
Working capital provided by:		
Operations —		
Net income	$135,650	$139,551
Items which do not use working capital —		
Depreciation	57,821	52,376
Deferred taxes on income	12,499	5,724
	205,970	197,651
Book value of properties sold	7,045	7,441
Proceeds from 8½% loan (subsidiary company)	3,060	—
Sales of common stock under options	683	2,242
Other, net	6,537	(5,514)
	223,295	201,820
Working capital used for:		
Dividends paid on common stock	58,919	53,305
Property, plant and equipment additions	86,272	117,362
Decrease in long-term debt	1,936	19,422
Funds set aside for debt redemption	42,300	—
	189,427	190,089
Increase in working capital	$ 33,868	$ 11,731
Increases (decreases) in working capital:		
Cash and temporary investments	$ 3,819	$ (43,953)
Notes and accounts receivable	5,964	4,024
Inventories	56,729	(86,421)
Accounts and drafts payable and accrued liabilities	2,482	(720)
Short-term borrowings	(46,780)	175,080
Federal and foreign taxes on income	11,668	(41,132)
Current portion of long-term debt	(14)	4,853
Increase in working capital	$ 33,868	$ 11,731

(See Notes to Consolidated Financial Statements, pages 25-28.)

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Summary of Significant Accounting Policies

PRINCIPLES OF CONSOLIDATION—The consolidated financial statements include the accounts of the company and all subsidiaries. The voting stock of all consolidated subsidiaries is wholly owned, except for a minority interest in a Canadian subsidiary. The investments in an insignificant real estate subsidiary and in 50% owned companies are recorded on the equity method. All significant intercompany items have been eliminated.

TRANSLATION OF FOREIGN CURRENCIES—In the December 27, 1975 consolidated balance sheet, assets and liabilities of Canadian and international subsidiaries are translated at the rates of exchange prevailing on the balance sheet date, except for fixed assets and intangibles which are generally translated at the rates of exchange prevailing at the time such assets were acquired. Income and expense accounts are translated at the average exchange rates in effect during the year, except for depreciation, which is translated at the exchange rates which were in effect when the respective assets were acquired.

Beginning in 1976, in accordance with FASB Statement No. 8, assets and liabilities of international and Canadian subsidiaries are translated at the rates of exchange prevailing on the balance sheet date, except for inventories, fixed assets, intangibles and deferred income taxes which are generally translated at the rates of exchange prevailing at the time such assets were acquired or liability incurred. Income and expense accounts are translated at the average rates of exchange for each month during 1976 except those revenue and expense accounts which relate to assets or liabilities translated at historical rates. In accordance with FASB Statement No. 8, periods prior to 1976 have not been restated because the effect on net income would have been immaterial.

Exchange adjustments originating during the years are reflected in income. Exchange adjustments increased net income by $471,000 in 1976 and $2,345,000 in 1975.

INVENTORY VALUATION—Inventories are stated at the lower of average cost or market and include costs of raw materials, labor and overhead.

PROPERTY, PLANT AND EQUIPMENT, AT COST:

	Dec. 25, 1976	Dec. 27, 1975
	(thousands)	
Land	$ 28,558	$ 27,708
Buildings	366,810	362,946
Machinery and Equipment	728,064	671,974
	$1,123,432	$1,062,628
Less—Accumulated depreciation	517,837	478,699
	$ 605,595	$ 583,929

DEPRECIATION—The company and subsidiaries follow the policy of providing, by charges against income, for depreciation of the gross book value of depreciable property. Such charges are generally computed on a straight-line basis over estimated useful lives of buildings and on a composite basis over estimated group lives of machinery and equipment.

INTANGIBLES—The excess of cost over net assets of businesses acquired prior to November 1, 1970 ($25,418,000 at December 25, 1976) is not currently being amortized since the company believes there has been no reduction in the value of these businesses. The excess of cost over net assets of businesses acquired subsequent to November 1, 1970 ($8,480,000 at December 25, 1976, net of amortization) is being amortized over 40 years in accordance with current accounting principles. Amortization was $234,000 in 1976 and $234,000 in 1975.

RESEARCH AND DEVELOPMENT COSTS—Research and development costs are charged to expense as incurred. These costs approximated $13,000,000 for 1976 and $10,850,000 for 1975.

ADVERTISING—Advertising costs are charged to expense as incurred. These costs were $101,862,000 in 1976 and $93,262,000 in 1975.

REPAIRS AND MAINTENANCE—Expenditures for maintenance, repairs, renewals and improvements, which do not materially prolong the normal useful life of the asset, or are of a minor nature, are charged to expense; and expenditures for renewals and improvements of a relatively major nature that substantially prolong the normal useful life of the asset are charged to accumulated depreciation. The amounts charged to expense were $76,472,000 in 1976 and $64,079,000 in 1975.

UNDISTRIBUTED EARNINGS OF INTERNATIONAL SUBSIDIARIES—Federal income taxes are provided on the portion of each international subsidiary's earnings which is not deemed to be permanently invested in the subsidiary. At December 25, 1976, approximately $100,225,000 of such net undistributed earnings were considered to be permanently invested.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

TAXES—Tax expense is made up of the following components:

	1976	1975
	(thousands)	
Income taxes:		
Current—		
Federal	$ 90,860	$ 87,682
Foreign	24,949	24,554
State and local (U.S.)	14,078	10,718
Deferred	12,499	5,724
	$142,386	$128,678
Other state and local taxes (U.S.)	12,939	12,706
Payroll taxes	25,035	22,789
Other taxes	20,622	18,383
	$200,982	$182,556

Deferred tax expense results from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The amounts applicable to deferred tax expense in the above table result primarily from the excess of tax over book depreciation.

The increase in the effective tax rate to approximately 51.2% for 1976 (from 48.0% for 1975) is attributable primarily to the operating losses of the Namur, Belgium, plant which are currently not deductible for tax purposes.

Investment tax credits are taken directly into income as a reduction of the provision for Federal income taxes. Investment tax credits were $6,000,000 for 1976 and $5,300,000 for 1975.

It is not expected that there will be substantial cash outlays for tax payments in excess of tax expense for the next three years.

Employees' Stock Options

Under the 1974 Stock Option Plan, 467,170 and 453,375 shares of the company's common stock at December 25, 1976, and December 27, 1975, respectively, were available for future grants to officers and other key employees. No options were granted during the year. Options to purchase 15,871 shares were exercised at prices ranging from $28.25 to $38.65 per share, and options for 17,393 shares lapsed or were cancelled. At December 25, 1976, 1,133 employees (including officers) held options to purchase 372,007 shares at prices ranging from $28.25 to $45.90 per share. At that date, options for 71,487 shares were exercisable.

Company Pension Plans

The company and its subsidiaries have several pension plans. It is the company's general policy to provide and fund current service costs and interest on unfunded prior service costs annually, and to amortize past service costs over periods of 20 to 40 years. Vested benefits under these plans as of December 25, 1976, were fully funded except the company's noncontributory plan and certain subsidiary plans where the present value of vested benefits exceeded the market value of the assets by approximately $19,950,000.

Amendments to the domestic plans effective January 1, 1975 increased benefits for presently retired employees and changed the 100% vesting period from 15 years to 10 years. The company also contributes to joint industry and union plans. Substantially all employees are covered under one or more of these plans. Total pension costs approximated $30,800,000 in 1976 and $28,550,000 in 1975.

Borrowing Arrangements

The company had unused lines of credit amounting to $203,532,000 at December 25, 1976. Bank balances of approximately $10,613,000 were maintained at banks to offset routine banking service charges and to support lines of credit. It is the company's policy to maintain bank lines of credit at least equal to its outstanding commercial paper.

Effective in 1976, drafts outstanding have been reclassified from cash to current liabilities. Cash and current liabilities included in the accompanying December 27, 1975 balance sheet have been restated to give effect to the reclassification of $15,345,000 of drafts outstanding at that date. Cash and temporary investments and accounts payable and accrued liabilities representing working capital changes in the accompanying Consolidated Statement of Changes in Financial Position have been restated to reflect the reclassification of drafts outstanding.

Short-term borrowings were as follows:

December 25, 1976	Amount	Weighted Avg. Interest Rate
	(Dollars in thousands)	
Commercial paper—U.S.	$ 38,460	4.7%
Bank loans—Int'l.	65,434	8.9
Parallel loan financing	—	—
	$103,894	7.4
Average short-term debt (monthly)	$104,956	8.9%
Maximum period-end short-term debt	$164,466	—
December 27, 1975		
Commercial paper—U.S.	$ —	—%
Bank loans—Int'l.	57,114	8.1
Parallel loan financing	—	—
	$ 57,114	8.1
Average short-term debt (monthly)	$192,999	8.1%
Maximum period-end short-term debt	$259,511	—

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

The average monthly borrowings and weighted average interest rates were determined by using period-end borrowings and the interest rates applicable thereto.

Commercial paper is sold in the open market through a money market dealer.

All of the issues of long-term debentures, other than the 7½% DM Convertible Bonds, have sinking fund requirements. The amounts shown below as outstanding at December 25, 1976, exclude maturities, amounts provided for payment and sinking fund requirements included in current liabilities, and $3,053,000 of debentures held in treasury in excess of current sinking fund requirements. At December 25, 1976, an amount of DM 100,000,000 ($42,300,000) is included in Miscellaneous Investments for the redemption of the DM Convertible Bearer Bonds. The interest rate earned on the funds set aside is 8½% per annum.

	Dec. 25, 1976	Dec. 27, 1975
	(thousands)	
4-3/8% Debentures due 1992	$ 21,671	$ 22,600
6-7/8% Debentures due 1996	46,926	46,926
8-3/8% Debentures due 2004	100,000	100,000
8-1/2% loan due 1978 (subsidiary company)	3,060	—
7-1/2% DM Convertible Bonds due 1985 (Convertible into 649,350 shares of common stock of Kraft, Inc.)	42,300	38,200
2% Mortgage — Pennsylvania Industrial Development Authority due 1977/93	4,042	4,263
Mortgages payable of subsidiaries due 1977/93	2,758	3,544
Parallel loan financing	—	—
	$220,757	$215,533

Excluded from long-term debt and assets are borrowing arrangements in foreign currencies for which there are related loans receivable of equivalent amounts. At December 25, 1976, these parallel arrangements consisted of a long-term amount of $25,000,000 maturing in 1990 and short-term amounts of $32,769,000. In the event of default by either party under these arrangements, a legal right of offset allows defaulted principal and accrued interest to be offset against the related repayment obligation. The interest rate on the loan payable is 11¼% and the interest rate on the dollar loan receivable is 8¾% for the $25,000,000 loan. For the $32,769,000 loans the interest rates range from 8.62% to 9.5% for the loans payable and 4.5% to 5.5% for the loans receivable.

As of December 25, 1976, the net aggregate amounts of annual sinking fund and repayment requirements for, and maturities of, long-term debt after deducting amounts provided for payment, total $1,039,000 for 1977, $5,886,000 for 1978, $3,903,000 for 1979, $4,578,000 for 1980 and $4,452,000 for 1981.

On January 20, 1977, the company issued $100,000,000 principal amount of 7.60% Sinking Fund Debentures due January 15, 2007.

Contingent Liabilities

There are no pending legal proceedings against the company other than ordinary routine litigation (including several treble damage suits based on alleged violation of the antitrust laws) which is incidental to the company's business and, based on the opinion of the company's General Counsel, it is believed that the outcome of such litigation will not materially affect the company's consolidated financial position or operations. See also the comments in Legal Matters, page 21.

Profit Incentive Plans

Under year-to-year profit incentive compensation plans of the company, key employees, including officers of the company, earned approximately $5,375,000 for 1976 and $5,110,000 for 1975. These plans, covering 651 and 588 employees for 1976 and 1975, respectively, did not include any director of the company who was not an officer.

Interim Results (Unaudited)

The following is a summary of the unaudited interim results of operations for the thirteen week periods in 1976:

	Thirteen Weeks Ended (Dollars in Thousands Except Per Share)	
	Mar. 27, 1976	Jun. 26, 1976
Net sales	$1,242,125	$1,229,791
Cost of products sold	1,002,060	980,760
Net income	34,300	36,052
Net income per common & common equivalent share	$1.22	$1.30
	Sept. 25, 1976	Dec. 25, 1976
Net sales	$1,258,477	$1,246,250
Cost of products sold	1,001,504	1,006,615
Net income	34,849	30,449
Net income per common & common equivalent share	$1.25	$1.09

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Capital Transactions

	Number of Shares		Amounts (Dollars in Thousands)		
	Common Stock	Treasury Stock	Common Stock	Treasury Stock	Capital Surplus
December 28, 1974	29,451,388	1,733,773	$73,628	$73,232	$49,910
Treasury stock acquired	—	627	—	26	—
Used for—					
Management Incentive Compensation Plan	—	(72)	—	(3)	—
Stock options exercised	—	(66,949)	—	(2,828)	(586)
December 27, 1975	29,451,388	1,667,379	$73,628	$70,427	$49,324
Used for—					
Conversion of subsidiary shares	—	(220)	—	(9)	—
Management Incentive Compensation plan	—	(158)	—	(7)	—
Stock options exercised	—	(15,871)	—	(670)	13
December 25, 1976	29,451,388	1,651,130	$73,628	$69,741	$49,337

Replacement Cost Information (Unaudited)

In compliance with Securities and Exchange Commission regulations, beginning with the year 1976, the company has computed replacement cost data for property, plant and equipment, depreciation, cost of products and inventories.

These computations indicate that the estimated cost of replacing the productive capacity of the property, plant and equipment at the end of 1976 and the related depreciation on a replacement cost basis would be higher than the historical costs actually incurred. This is due to the cumulative results of inflation over the long useful lives of these assets.

In addition, the replacement cost of products for 1976 would be somewhat higher than on the historical cost basis. This difference is due primarily to increased depreciation to reflect replacement costs of productive capacity and fluctuations in prices of the major raw ingredients, cheese and vegetable oil. However, the replacement cost of inventories at year-end 1976 would approximate historical cost.

The impact of inflationary pressures on the company's operations has been reduced through increased productivity, cost effectiveness programs, improvements in technology and changes in selling prices.

Kraft, Inc.'s Annual Report to the Securities and Exchange Commission on Form 10-K (a copy of which is available on request) contains more specific information with respect to replacement cost of property, plant and equipment, depreciation, cost of products and inventories.

Auditors' Report

To the Board of Directors and Stockholders of Kraft, Inc.:

We have examined the consolidated balance sheet of Kraft, Inc. (a Delaware corporation, formerly Krafteo Corporation) and subsidiaries as of December 25, 1976, and December 27, 1975, and the related consolidated statements of income, retained earnings and changes in financial position for the years then ended. We also have examined the condensed statements of financial position and income of international subsidiaries as of the above dates and periods. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Kraft, Inc. and subsidiaries as of December 25, 1976, and December 27, 1975, and the results of their operations and changes in their financial position for the years then ended, and the accompanying condensed statements of international subsidiaries summarize fairly the financial position and results of operations of such subsidiaries for the above dates and periods, all in conformity with generally accepted accounting principles consistently applied during the periods.

Arthur Andersen & Co

69 West Washington Street
Chicago, Illinois 60602
February 18, 1977

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

International Subsidiaries (other than Canadian)
(In thousands)

Condensed Statement of Income	52 Weeks Ended Dec. 25, 1976	Dec. 27, 1975
Net sales	$749,855	$763,568
Costs and expenses:		
Cost of products	611,405	617,130
Delivery, sales and administrative expense	113,946	111,814
Interest expense, net	12,892	11,629
Other (income) and charges, net	(1,009)	(2,326)
Loss (gain) on translation of currencies (balance sheet items) (Note A)	615	(4,271)
Total	737,849	733,976
Income before taxes (Note B)	12,006	29,592
Provision for taxes on income (Note B)	13,215	10,823
Net (loss) income	$ (1,209)	$ 18,769

Condensed Statement of Financial Position	Dec. 25, 1976	Dec. 27, 1975
Notes and accounts receivable	$ 67,906	$ 63,167
Inventories	148,172	149,891
Property, plant and equipment, less accumulated depreciation	127,315	125,375
Other assets	14,804	8,340
	358,197	346,773
Less—liabilities	173,731	165,257
Net tangible assets	$184,466	$181,516

Notes:

A. For additional details on translation of currencies, see pages 21 and 25.

B. Income before taxes includes losses of certain international subsidiaries for which no potential future tax benefits have been recorded. See also comments in Financial Review, pages 18-21. The provision for income taxes included in the Condensed Statement of Income for International Subsidiaries (other than Canadian) is based upon foreign income tax rates applicable to such income. Any additional taxes expected to be payable in the United States on such income are included in the consolidated provision for income taxes.

The above accounts are included in the Consolidated Financial Statements.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Five Year Summary

(Dollar amounts in millions, except per share or as indicated.)

See Analysis of Operations on pages 18-21.

	1976	1975	1974	1973	1972*
Summary of Operations:					
Net sales	$4,977	$4,857	$4,471	$3,602	$3,197
Income before taxes and extraordinary charge	278	268	177	198	196
Income before extraordinary charge	136	140	95	103	100
Extraordinary charge, net of taxes	—	—	—	—	12**
Net income	$ 136	$ 140	$ 95	$ 103	$ 88
Dividends	$ 59	$ 53	$ 52	$ 49	$ 50
Per share of common stock:					
Net income	$ 4.86	$ 5.01	$ 3.41	$ 3.70	$ 3.13***
Net income—fully diluted	$ 4.80	$ 4.95	$ 3.38	$ 3.66	$ 3.10
Dividends	$ 2.12	$ 1.92	$1.882	$1.768	$1.768
Financial Position:					
Notes and accounts receivable, net	$ 311	$ 305	$ 301	$ 261	$ 208
Inventories	763	706	793	559	464
Property, plant and equipment, net	606	584	524	480	459
Total assets	1,822	1,687	1,751	1,438	1,297
Long-term debt	221	216	237	143	135
Stockholders' equity	1,016	938	850	808	769
Per share of common stock	$36.54	$33.78	$30.67	$29.14	$27.41
Statistical Information:					
Capital expenditures	$ 86	$ 117	$ 94	$ 70	$ 87
Depreciation charged during the year	58	52	49	47	44
Total taxes— income, property, payroll and other	201	183	131	138	133****
Per share of common stock	$ 7.23	$ 6.57	$ 4.72	$ 4.96	$ 4.72****
Interest expense, net	22	28	36	13	8
Payroll and employee benefits	669	618	580	523	495
Average number of employees	47,703	48,409	50,410	48,909	48,948
Number of stockholders at year-end	63,384	65,209	66,230	67,556	69,999
Number of shares of common stock outstanding at year-end (thousands)	27,800	27,784	27,718	27,720	28,046

*Fifty-three week accounting year.

**Extraordinary charge before tax benefit was $22 million.

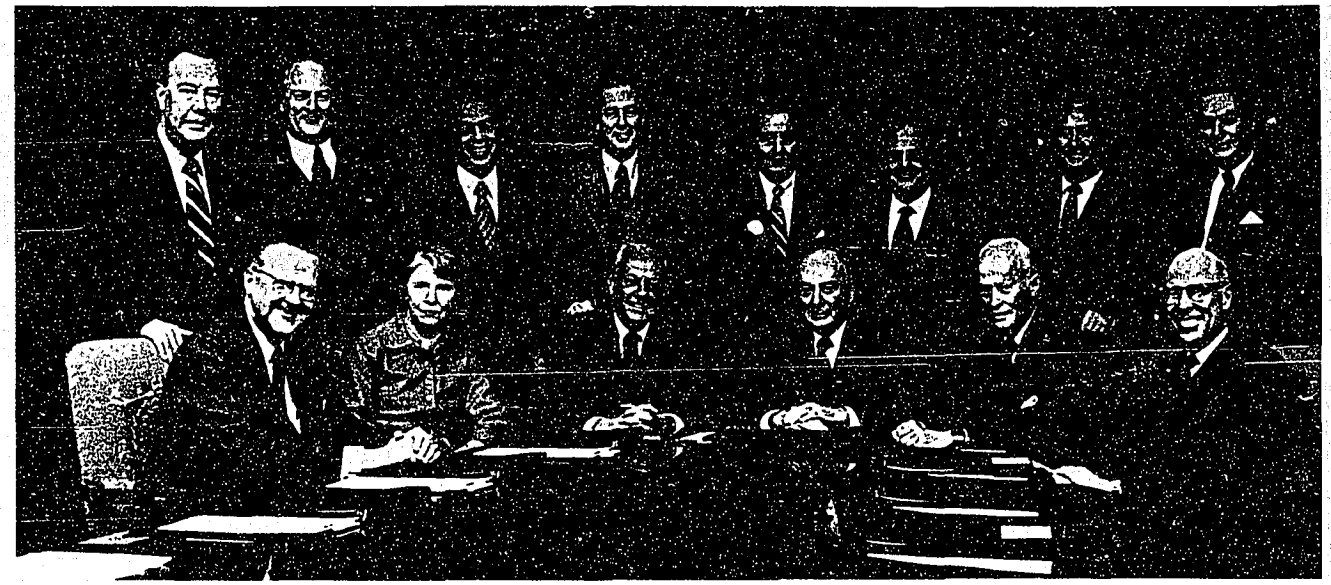
***Income before extraordinary charge was $3.57 per share for 1972.

****Before tax benefits on extraordinary charge.

See note on page 26 with respect to reclassification of drafts outstanding to current liabilities.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Board of Directors



Board of Directors *(seated l. to r.)* John D. deButts, Catherine B. Cleary, Richard C. Bond, William O. Beers (Chairman), Walter N. Thayer, Robert S. Ingersoll; *(standing)* George G. Zipf, O. Everett Swain, Dr. Lloyd C. Elam, M. Joseph Lambert, John F. McGillicuddy, John L. Weinberg, Arthur W. Woelfle, John S. Reed.

William O. Beers
Chairman of the Board and
Chief Executive Officer

Richard C. Bond
President, Board of Trustees
John Wanamaker Philadelphia, Inc.
Retailing
Philadelphia

Catherine B. Cleary
Chairman of the Board
First Wisconsin Trust Company
Trust Service
Milwaukee

John D. deButts
Chairman of the Board and
Chief Executive Officer
American Telephone and
Telegraph Company
New York

Lloyd C. Elam, M.D.
President, Meharry Medical College
Nashville

Robert S. Ingersoll
Deputy Chairman of the Board of
Trustees, University of Chicago
Chicago

M. Joseph Lambert
Senior Vice President and
Chief Financial Officer

John F. McGillicuddy
President, Manufacturers Hanover
Corporation and President, Manufacturers
Hanover Trust Company
Commercial Banking
New York

John S. Reed
Chairman of the Board and
Chief Executive Officer, Santa Fe
Industries, Inc., and of The Atchison,
Topeka and Santa Fe Railway Company
Chicago

O. Everett Swain
Executive Vice President
Chairman Retail Food Group

Walter N. Thayer
Partner, Whitcom Investment Company
and President, Whitney
Communications Corporation
Investments and Publishing
New York

John L. Weinberg
Senior Partner, Goldman, Sachs & Co.
Investment Banking
New York

Arthur W. Woelfle
President and
Chief Operating Officer

George G. Zipf
Chairman of the Board and President
The Babcock & Wilcox Company
Manufacturing
New York

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Officers and Committees

(*Member, Management Policy Committee)

William O. Beers*
Chairman of the Board and
Chief Executive Officer

Arthur W. Woelfle*
President and
Chief Operating Officer

Chester R. Green
Senior Vice President—
Corporate Development,
Marketing and Research

M. Joseph Lambert*
Senior Vice President and
Chief Financial Officer

John M. Richman*
Senior Vice President—
Administration and
General Counsel

Luke Davis*
Executive Vice President—
Operations Group

Charles R. LeMaster*
Executive Vice President, and
President Foodservice and
Industrial Group

William E. Reidy*
Executive Vice President—
Technical Services

John M. Steiner*
Executive Vice President, and
President Dairy Group

O. Everett Swain*
Executive Vice President, and
Chairman Retail Food Group

John J. Beatty, III
Vice President—
Government Relations

Joseph L. Caliri
Vice President and
Secretary

Donald W. Carlin
Vice President and
Assistant General Counsel

Dennis F. Delavara
Vice President—
Systems Services

Robert G. Johnson
Vice President and
Assistant General Counsel

William B. Jordan
Vice President and
Treasurer

John T. Kelly
Vice President and
Assistant General Counsel

Heribert Kohlhaas
Vice President and
President of Kraft International Division

Channing H. Lushbough
Vice President—
Quality Assurance

Margaret P. MacKimm
Vice President and
Director of Public Relations

Thomas J. McHugh
Vice President—
Taxes

John A. Mitchell
Vice President and
Director of Personnel Administration

Alexander G. Moon
Vice President—
Business Planning and Analysis

James F. Scull
Vice President—
Human Resources

John X. Thomas
Vice President—
Community and Civic Affairs

Carmen G. Tumino
Vice President—
Engineering

John F. White
Vice President and
Director of Research and Development

Herman M. Wille
Vice President—
Urban Affairs

Roger H. Willis
Vice President and
Comptroller

Richard J. Foley
Assistant Secretary

Anthony K. Grina
Assistant Treasurer

Robert W. Hoaglund
Assistant Comptroller

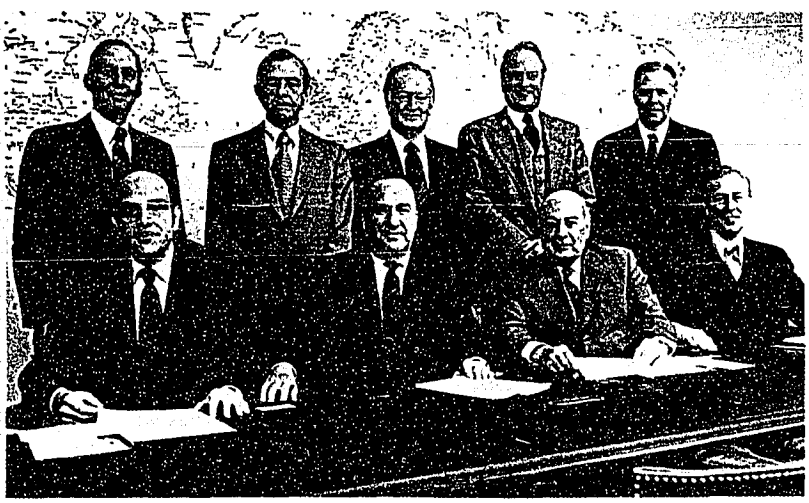
Kenneth S. Kirsner
Assistant Secretary

Howard M. Lee
Assistant Treasurer

Arthur R. Messerschmidt
Assistant Treasurer

Mary P. O'Brien
Assistant Secretary

Conrad G. Olson
Assistant Comptroller



Management Policy Committee *(seated l. to r.)* John M. Richman, Arthur W. Woelfle, William O. Beers (Chairman), M. Joseph Lambert; *(standing)* John M. Steiner, Charles R. LeMaster, Luke Davis, O. Everett Swain, William E. Reidy.

Printed in U.S.A.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Audit Committee
Walter N. Thayer, Chairman
Lloyd C. Elam, M.D.
John L. Weinberg
George G. Zipf

Executive Committee
William O. Beers, Chairman
Richard C. Bond
Catherine B. Cleary
John D. deButts
Lloyd C. Elam, M.D.
John F. McGillicuddy
John S. Reed
Walter N. Thayer
Arthur W. Woelfle

Finance Committee
M. Joseph Lambert, Chairman
William O. Beers
Richard C. Bond
Catherine B. Cleary
John D. deButts
Lloyd C. Elam, M.D.
John F. McGillicuddy
John L. Weinberg
Arthur W. Woelfle

Operating Committee
Arthur W. Woelfle, Chairman
William O. Beers
Luke Davis
T. Keith Davis
Chester R. Green
Russell J. Greenwood
Heribert Kohlhaas
S.L. Kopald, Jr.
Charles R. LeMaster
John E. Mast
R. Dean Nelson
William E. Reidy
Carl D. Steen
John M. Steiner
O. Everett Swain

Counsel
Sullivan & Cromwell

Transfer Agents
Manufacturers Hanover Trust Company
4 New York Plaza, New York, New York 10015

National Boulevard Bank of Chicago
400 North Michigan Avenue, Chicago, Illinois 60611

Bank of America N.T. & S.A.
55 Hawthorne Street, San Francisco, California 94120

The Royal Trust Company
630 Dorchester Boulevard West, Montreal 110, P.Q., Canada
Royal Trust Tower, Toronto-Dominion Centre,
Toronto 116, Ont., Canada

*Commonwealth Trading Bank of Australia
233 Collins Street, Melbourne, Victoria, Australia

Registrars
The Chase Manhattan Bank, N.A., New York
Continental Illinois National Bank and
Trust Company of Chicago, Chicago
Wells Fargo Bank, N.A., San Francisco
Montreal Trust Company, Montreal and Toronto
*The Wales Nominees (Vic.) Pty. Limited, Melbourne

Stock Exchanges
New York (principal market), Midwest, Pacific,
Montreal, Toronto, *Adelaide, Amsterdam, *Brisbane,
*Hobart, *Melbourne, *Perth, *Sydney, London,
Brussels, Antwerp, Frankfurt/Main, Basel, Bern,
Geneva, Lausanne, Zurich. U.S. Trading Symbol: KRA.
**For shares represented by Australian certificates only.*

Auditors
Arthur Andersen & Co.

Corporate Headquarters
Kraft, Inc.
Kraft Court
Glenview, Illinois 60025
(312) 998-2000

Note: In this report the use of italics indicates some of the many trademarks of Kraft, Inc. The symbol ® is also a trademark of the corporation.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.